

MONTANA LEGISLATIVE HISTORY

Chapter 7 19 55 1986

Bill H _____ S 11 Original bill & history X c

H. Committee on Taxation

Hearing Date(s) 3/28 X c

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_____ c

Date Out _____ c

S. Committee on Taxation

Hearing Date(s) 3/27 X c

_____ c

_____ c

_____ c

Did this bill originate in an interim committee? ☒ Yes ☐ No

Committee _____

Report _____

CONTENTS

HOUSE AND SENATE BILLS

Chap. Num.	Senate Bill	House Sponsor Bill	Title
1		13 D. Brown	AN ACT TO PROVIDE CRITERIA GOVERNING THE LIABILITY OF A PERSON OR ENTITY FURNISHING AN ALCOHOLIC BEVERAGE FOR INJURY OR DAMAGE ARISING FROM AN EVENT INVOLVING THE CONSUMER; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE.
2		14 Driscoll	AN ACT PREVENTING THE CLOSURE OF LIQUOR STORES OPERATED BY THE DEPARTMENT OF REVENUE UNLESS A STORE IS NOT OPERATING AT A PROFIT OR SUCH CLOSURE HAS BEEN APPROVED BY THE LEGISLATURE; PROVIDING THAT THE DEPARTMENT OF REVENUE MAY NOT CHANGE THE RATE OF COMMISSIONS PAYABLE FOR THE OPERATION OF AGENCY LIQUOR STORES UNTIL JULY 1, 1986, TO ALLOW THE JUNE SPECIAL SESSION OF THE 49TH LEGISLATURE TO EXAMINE THE ISSUE OF AGENCY STORE COMMISSIONS; PROVIDING FOR THE DEVELOPMENT OF A LIQUOR DIVISION RECOVERY PLAN TO BE SUBMITTED FOR CONSIDERATION BY THE JUNE SESSION; AMENDING SECTION 16-2-103, MCA; PROVIDING AN IMMEDIATE EFFECTIVE DATE, A RETROACTIVE APPLICABILITY DATE, AND A TERMINATION DATE.
3	2	Crippen	AN ACT AUTHORIZING POLITICAL SUBDIVISIONS TO ISSUE BONDS OR NOTES, INDIVIDUALLY OR JOINTLY, TO ESTABLISH SELF INSURANCE RESERVE FUNDS; AMENDING SECTIONS 2-9-211 AND 2-9-212, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE.
4	6	Christiaens	AN ACT TO INCLUDE CERTAIN HIGHER EDUCATION FACILITIES IN THE LIST OF PROJECTS FINANCED BY THE ISSUANCE OF INDUSTRIAL DEVELOPMENT REVENUE BONDS; AMENDING SECTIONS 90-5-101 AND 90-5-108, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE.
5	7	Neuman	AN ACT CREATING AN AGRICULTURAL PRODUCTION LOAN LINKED DEPOSIT PROGRAM; AUTHORIZING THE BOARD OF INVESTMENTS TO PLACE UP TO \$50,000,000 OF PUBLIC INVESTMENT FUNDS IN CERTIFICATES OF DEPOSIT WITH PARTICIPATING LENDING INSTITUTIONS AT AN INTEREST RATE 1 PERCENT BELOW THE CURRENT MARKET RATE; REQUIRING EACH INSTITUTION TO LEND THE VALUE OF SUCH DEPOSITS TO ELIGIBLE AGRICULTURAL OPERATIONS AT AN INTEREST RATE NOT EXCEEDING 2 PERCENTAGE POINTS GREATER THAN THE RATE PAYABLE ON THE CERTIFICATES OF DEPOSIT; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A TERMINATION DATE.
6	9	Galt	AN ACT TO PROVIDE FUNDING TO ENABLE THE DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION TO ISSUE ADDITIONAL GENERAL OBLIGATION WATER DEVELOPMENT BONDS; AMENDING SECTIONS 85-1-603, 85-1-604, AND 85-1-617, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE.
7	11	Towe	AN ACT LIMITING THE AIRLINE TRANSPORTATION PROPERTY TAX RATE TO NOT MORE THAN 12 PERCENT; SEPARATING RAILROAD AND AIRLINE TRANSPORTATION PROPERTY INTO DIFFERENT TAX CLASSES; AMENDING SECTIONS 15-6-141, 15-6-145, AND 15-8-111, MCA; AND PROVIDING A RETROACTIVE APPLICABILITY DATE AND AN IMMEDIATE EFFECTIVE DATE.
8	4	Pistoria	AN ACT TO PROVIDE THAT A SPECIAL ELECTION FOR THE ELECTION OF NEW OFFICIALS TO IMPLEMENT A CHANGE IN THE FORM OF A LOCAL GOVERNMENT MAY BE HELD ON A REGULARLY SCHEDULED PRIMARY OR GENERAL ELECTION DATE; AMENDING SECTION 7-3-160, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE.

SENATE FINAL STATUS

3/26	REFERRED TO TAXATION		
3/27	HEARING		
3/27	COMMITTEE REPORT-BILL PASS AS AMENDED		
3/27	2ND READING PASS AS AMENDED	28	22
3/27	3RD READING PASS	29	21

	TRANSMITTED TO HOUSE		
3/27	REFERRED TO TAXATION		
3/28	HEARING		
3/29	TAKEN FROM COMMITTEE AS AMENDED		
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3/29	2ND READING NOT CONCURRED AS AMENDED	52	48
	BILL KILLED		

SB 11 INTRODUCED BY TOWE, ET AL.
LIMIT AIRLINE TRANSPORTATION PROPERTY TAX RATE TO
NOT MORE THAN 12%

3/26	INTRODUCED		
3/26	REFERRED TO TAXATION		
3/27	HEARING		
3/27	COMMITTEE REPORT-BILL DO PASS		
3/27	2ND READING PASS	48	1
3/27	3RD READING PASS	48	1

	TRANSMITTED TO HOUSE		
3/27	REFERRED TO TAXATION		
3/28	HEARING		
3/28	COMMITTEE REPORT-BILL CONCURRED AS AMENDED		
3/29	2ND READING CONCURRED AS AMENDED	91	4
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	RETURNED TO SENATE WITH AMENDMENTS		
3/29	2ND READING AMENDMENTS CONCURRED	46	3
3/29	3RD READING AMENDMENTS CONCURRED	48	1
4/03	SIGNED BY PRESIDENT		
4/03	SIGNED BY SPEAKER		

4/04	TRANSMITTED TO GOVERNOR		
4/07	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 7 EFFECTIVE DATE:	4/07/86	

SB 12 INTRODUCED BY CRIPPEN, ET AL.
AMEND CONSTITUTION TO ALLOW LEGISLATURE TO LIMIT
PRIVATE AND PUBLIC LIABILITY

3/26	INTRODUCED		
3/26	REFERRED TO JUDICIARY		
3/27	MOTION FAILED TO TAKE FROM COMMITTEE		
	AND PLACE ON 2ND READING	23	27
3/29	COMMITTEE REPORT-BILL PASS AS AMENDED		
3/29	2ND READING PASS	24	25
3/29	2ND READING PASS AS AMENDED	24	25
3/29	3RD READING PASS	24	25

	TRANSMITTED TO HOUSE		
3/29	REFERRED TO JUDICIARY		
3/29	COMMITTEE REPORT-BILL CONCURRED AS AMENDED		
3/29	2ND READING CONCURRED AS AMENDED	58	41
3/29	3RD READING CONCURRED	58	41

SENATE BILL NO. 11
INTRODUCED BY TOWE, KEENAN

IN THE SENATE

March 26, 1986 Introduced and referred to
Committee on Taxation.

March 27, 1986 Committee recommend bill do
pass. Report adopted.

 Second reading, do pass.

 Third reading, passed.
Ayes, 48; Noes, 1.

 Transmitted to House.

IN THE HOUSE

March 27, 1986 Introduced and referred to
Committee on Taxation.

March 28, 1986 Committee recommend bill be
concurrent in as amended.
Report adopted.

March 29, 1986 Second reading, concurred in
as amended.

 Third reading, concurred in.

 Returned to Senate with
amendments.

IN THE SENATE

March 29, 1986 Received from House.

 On motion, Senate Bill 11 be
placed on second reading this
day.

March 29, 1986

Second reading, amendments
concurred in.

Third reading, amendments
concurred in. Ayes, 48; Noes,
1.

Sent to enrolling.

Reported correctly enrolled.

REFER TO
TAXATION

1 Senate BILL NO. 11
2 INTRODUCED BY Sen. Keenan
3

4 A BILL FOR AN ACT ENTITLED: "AN ACT LIMITING THE AIRLINE
5 TRANSPORTATION PROPERTY TAX RATE TO NOT MORE THAN 12
6 PERCENT; SEPARATING RAILROAD AND AIRLINE TRANSPORTATION
7 PROPERTY INTO DIFFERENT TAX CLASSES; AMENDING SECTIONS
8 15-6-141, 15-6-145, AND 15-8-111, MCA; AND PROVIDING A
9 RETROACTIVE APPLICABILITY DATE AND AN IMMEDIATE EFFECTIVE
10 DATE."
11

12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13 Section 1. Section 15-6-145, MCA, is amended to read:

14 "15-6-145. Class fifteen property -- description --
15 taxable percentage. (1) Class fifteen property includes:

16 (a) all railroad transportation property as described
17 in the Railroad Revitalization and Regulatory Reform Act of
18 1976 as it read on January 1, 1986; and

19 (b) ~~all airline transportation property as described~~
20 ~~in the Tax Equity and Fiscal Responsibility Act of 1982 as~~
21 ~~it read on January 1, 1986.~~

22 (2) For the taxable year beginning January 1, 1986,
23 and for each taxable year thereafter, class fifteen property
24 is taxed at the percentage rate "R", to be determined by the
25 department as provided in subsection (3).

1 (3) $R = A/B$ where:

2 (a) A is the total statewide taxable value of all
3 commercial property, except class fifteen property, as
4 commercial property is described in 15-1-101(1)(d),
5 including class 1 and class 2 property; and

6 (b) B is the total statewide market value of all
7 commercial property, except class fifteen property, as
8 commercial property is described in 15-1-101(1)(d),
9 including class 1 and class 2 property.

10 (4) (a) For the taxable year beginning January 1,
11 1986, and for every taxable year thereafter, the department
12 shall conduct a sales assessment ratio study of all
13 commercial and industrial real property and improvements.
14 The study must be based on:

15 (i) assessments of such property as of January 1 of
16 the year for which the study is being conducted; and

17 (ii) a statistically valid sample of sales using data
18 from realty transfer certificates filed during the same
19 taxable year or from the immediately preceding taxable year,
20 but only if a sufficient number of certificates is
21 unavailable from the current taxable year to provide a
22 statistically valid sample.

23 (b) The department shall determine the value-weighted
24 mean sales assessment ratio "M" for all such property and
25 reduce the taxable value of property described in subsection

-2- INTRODUCED BILL

SB 11

(4) only, by multiplying the total statewide taxable value of property described in subsection (4) by "M" prior to calculating "A" in subsection (3).

(c) The adjustment referred to in subsection (4) will be made beginning January 1, 1986, and in each subsequent tax year to equalize the railroad and--airline taxable values.

(5) For the purpose of complying with the Railroad Revitalization and Regulatory Reform Act of 1976 and the Tax Equity and Fiscal Responsibility Act of 1982, as they it read on January 1, 1986, the rate "R" referred to in this section is the equalized average tax rate generally applicable to commercial and industrial property, except class fifteen property, as commercial property is defined in 15-1-101(1)(d)."

NEW SECTION. Section 2. Class seventeen property -- description -- taxable percentage. (1) Class seventeen property includes all airline transportation property as described in the Tax Equity and Fiscal Responsibility Act of 1982 as it read on January 1, 1986.

(2) For the taxable year beginning January 1, 1986, and for each taxable year thereafter, class seventeen property is taxed at the percentage rate "R", to be determined by the department as provided in subsection (3).

(3) $R = A/B$ or 12%, whichever is less, where:

(a) A is the total statewide taxable value of all commercial property, except class seventeen property, as commercial property is described in 15-1-101(1)(d), including class 1 and class 2 property; and

(b) B is the total statewide market value of all commercial property, except class seventeen property, as commercial property is described in 15-1-101(1)(d), including class 1 and class 2 property.

(4) (a) For the taxable year beginning January 1, 1986, and for every taxable year thereafter, the department shall conduct a sales assessment ratio study of all commercial and industrial real property and improvements. The study must be based on:

(i) assessments of such property as of January 1 of the year for which the study is being conducted; and

(ii) a statistically valid sample of sales using data from realty transfer certificates filed during the same taxable year or from the immediately preceding taxable year, but only if a sufficient number of certificates is unavailable from the current taxable year to provide a statistically valid sample.

(b) The department shall determine the value-weighted mean sales assessment ratio "M" for all such property and reduce the taxable value of property described in subsection

(4) only, by multiplying the total statewide taxable value

1 of property described in subsection (4) by "M" prior to
2 calculating "A" in subsection (3).

3 (c) The adjustment referred to in subsection (4)(b)
4 will be made beginning January 1, 1986, and in each
5 subsequent tax year to equalize the airline taxable values.

6 (5) For the purpose of complying with the Tax Equity
7 and Fiscal Responsibility Act of 1982, as it read on January
8 1, 1986, the rate "R" referred to in this section is the
9 equalized average tax rate generally applicable to
10 commercial and industrial property, except class seventeen
11 property, as commercial property is defined in
12 15-1-101(1)(d).

13 Section 3. Section 15-6-141, MCA, is amended to read:
14 "15-6-141. Class eleven property -- description --
15 taxable percentage. (1) Class eleven property includes:

16 (a) centrally assessed electric power companies'
17 allocations, including, if congress passes legislation that
18 allows the state to tax property owned by an agency created
19 by congress to transmit or distribute electrical energy,
20 allocations of properties constructed, owned, or operated by
21 a public agency created by the congress to transmit or
22 distribute electric energy produced at privately owned
23 generating facilities (not including rural electric
24 cooperatives);

25 (b) allocations for centrally assessed natural gas

1 companies having a major distribution system in this state;
2 and

3 (c) centrally assessed companies' allocations except:
4 (i) electric power and natural gas companies'
5 property;

6 (ii) property owned by cooperative rural electric and
7 cooperative rural telephone associations and classified in
8 class five;

9 (iii) property owned by organizations providing
10 telephone communications to rural areas and classified in
11 class seven; and

12 (iv) ~~airline---and~~ railroad transportation property
13 included in class fifteen; and

14 (v) airline transportation property included in class
15 seventeen.

16 (2) Class eleven property is taxed at 12% of market
17 value."

18 Section 4. Section 15-8-111, MCA, is amended to read:

19 "15-8-111. Assessment -- market value standard --
20 exceptions. (1) All taxable property must be assessed at
21 100% of its market value except as provided in subsection
22 (5) of this section and in 15-7-111 through 15-7-114.

23 (2) (a) Market value is the value at which property
24 would change hands between a willing buyer and a willing
25 seller, neither being under any compulsion to buy or to sell

1 and both having reasonable knowledge of relevant facts.

2 (b) Except as provided in subsection (3), the market
3 value of all motor trucks; agricultural tools, implements
4 and machinery; and vehicles of all kinds, including but not
5 limited to aircraft and boats and all watercraft, is the
6 average wholesale value shown in national appraisal guides
7 and manuals or the value of the vehicle before
8 reconditioning and profit margin. The department of revenue
9 shall prepare valuation schedules showing the average
10 wholesale value when no national appraisal guide exists.

11 (3) The department of revenue or its agents may not
12 adopt a lower or different standard of value from market
13 value in making the official assessment and appraisal of the
14 value of property in 15-6-134 through 15-6-140, 15-6-145,
15 and 15-6-146, and [section 2], except:

16 (a) the wholesale value for agricultural implements
17 and machinery is the loan value as shown in the Official
18 Guide, Tractor and Farm Equipment, published by the national
19 farm and power equipment dealers association, St. Louis,
20 Missouri; and

21 (b) for agricultural implements and machinery not
22 listed in the official guide, the department shall prepare a
23 supplemental manual where the values reflect the same
24 depreciation as those found in the official guide.

25 (4) For purposes of taxation, assessed value is the

1 same as appraised value.

2 (5) The taxable value for all property in classes four
3 through eleven, and fifteen-and-sixteen through seventeen
4 is the percentage of market value established for each class
5 of property in 15-6-134 through 15-6-141, 15-6-145, and
6 15-6-146, and [section 2].

7 (6) The assessed value of properties in 15-6-131
8 through 15-6-133 is as follows:

9 (a) Properties in 15-6-131, under class one, are
10 assessed at 100% of the annual net proceeds after deducting
11 the expenses specified and allowed by 15-23-503.

12 (b) Properties in 15-6-132, under class two, are
13 assessed at 100% of the annual gross proceeds.

14 (c) Properties in 15-6-133, under class three, are
15 assessed at 100% of the productive capacity of the lands
16 when valued for agricultural purposes. All lands that meet
17 the qualifications of 15-7-202 are valued as agricultural
18 lands for tax purposes.

19 (d) Properties in 15-6-143, under class thirteen, are
20 assessed at 100% of the combined appraised value of the
21 standing timber and grazing productivity of the land when
22 valued as timberland.

23 (7) Land and the improvements thereon are separately
24 assessed when any of the following conditions occur:

25 (a) ownership of the improvements is different from

1 ownership of the land;

2 (b) the taxpayer makes a written request; or

3 (c) the land is outside an incorporated city or town.

4 (8) The taxable value of all property in 15-6-131 and
5 classes two, three, and thirteen is the percentage of
6 assessed value established in 15-6-131(2), 15-6-132,
7 15-6-133, and 15-6-143 for each class of property."

8 NEW SECTION. Section 5. Codification instruction.
9 Section 2 is intended to be codified as an integral part of
10 Title 15, chapter 6, part 1, and the provisions of Title 15,
11 chapter 6, part 1, apply to section 2.

12 NEW SECTION. Section 6. Coordination instruction. If
13 Senate Bill No. 8 [LC 23] is passed and approved, any
14 provisions in Senate Bill No. 8 pertaining to tax rates for
15 airline transportation property that conflict with the
16 provisions of this act are void.

17 NEW SECTION. Section 7. Extension of authority. Any
18 existing authority of the department of revenue to make
19 rules on the subject of the provisions of this act is
20 extended to the provisions of this act.

21 NEW SECTION. Section 8. Retroactive applicability --
22 effective date. (1) Sections 1 and 2 apply retroactively,
23 within the meaning of 1-2-109, to all tax years beginning
24 after December 31, 1985.

25 (2) This act is effective on passage and approval.

-End-

DESCRIPTON OF PROPOSED LEGISLATION:

An act limiting the airline transportation property tax rate to not more than 12 percent; separating railroad and airline transportation property into different tax classes.

ASSUMPTIONS:

- 1) The tax rate applicable under current law to Class 15 property is estimated to be:

<u>Tax Year</u>	<u>Rate</u>	<u>Sales Ratio</u>
1986	14.00%	80%
1987	12.05	75%
1988	11.90	70%
1989	11.69	65%
1990	11.42	60%
1991	11.34	55%

These estimates reflect the required calculations contained in Section 15-6-145 and forecasts for net and gross proceed values estimated by OBPP. Further, the applicable tax rates assume that sales ratios for commercial property decline in 5 percent increments each year.

- 2) The system values of airlines remain constant at 1985 levels of \$32.141 million. The system values of railroads is \$3.5 billion in tax year 1986 and increases \$120 million per year reflecting changes in depreciation accounting. This assumption applies to both current and proposed calculations.

- 3) Montana's allocation factor for railroads is assumed constant at 14.13% of railroad system values.

- 4) Average mill levies are assumed to be constant and are 240 mills for railroads and 333 mills for airlines. University and school foundation program levies are assumed constant at 6 and 45 mills, respectively.

David L. Hunter 3/28/86
BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Thomas E. Carr 28 March 1986
PRIMARY SPONSOR DATE

Fiscal Note for SB011
as amended with House Amendments.

SB 11

SB011

As amended with House Amendments

Page 2

March 28, 1986

- 5) Protested tax payments from airlines for tax years 1982 through 1985 of approximately \$4,157,900 will be released. Approximately 30% or \$1,175,270 will revert to the airlines; \$2,982,630 is distributed to various taxing jurisdictions.

FISCAL IMPACT:

The attached tables provide a summary of the fiscal impact of the proposal for the next two bienniums. The tables provide estimates for railroads, airlines, and Class 15 property totals.

Railroads :		CURRENT							PROPOSED					DIFFERENCE			
Tax Year	Fiscal Year	Tax Rate	Taxable Value	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax		Taxable Value	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax
1986	1987	14.00%	69,237	16,617	415	3,116	13,086		69,237	16,617	415	3,116	13,086	0	0	0	0
1987	1988	12.05%	61,636	14,793	370	2,774	11,649		61,636	14,793	370	2,774	11,649	0	0	0	(0)
1988	1989	11.90%	62,887	15,093	377	2,830	11,886		62,887	15,093	377	2,830	11,886	0	0	0	0
1989	1990	11.69%	63,759	15,302	383	2,869	12,051		63,759	15,302	383	2,869	12,051	0	0	0	0
1990	1991	11.42%	64,223	15,414	385	2,890	12,138		64,223	15,414	385	2,890	12,138	0	0	0	(0)

Airlines :		CURRENT							PROPOSED					DIFFERENCE			
Tax Year	Fiscal Year	Tax Rate	Taxable Value	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax		Taxable Value	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax
1986	1987	14.00%	4,509	1,499	27	203	1,269		3,857	1,284	23	174	1,088	(215)	(4)	(29)	(181)
1987	1988	12.05%	3,873	1,290	23	174	1,092		3,857	1,284	23	174	1,088	(6)	0	0	(4)
1988	1989	11.90%	3,825	1,274	23	172	1,079		3,857	1,284	23	174	1,088	10	0	2	9
1989	1990	11.69%	3,757	1,251	23	169	1,059		3,857	1,284	23	174	1,088	33	0	5	29
1990	1991	11.42%	3,671	1,222	22	165	1,035		3,857	1,284	23	174	1,088	62	1	9	53

Totals :		CURRENT							PROPOSED					DIFFERENCE			
Tax Year	Fiscal Year		Taxable Value	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax		Taxable Value	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax
1986	1987		73,737	18,116	442	3,319	14,355		73,094	17,901	438	3,290	14,174	(215)	(4)	(29)	(181)
1987	1988		65,509	16,083	393	2,948	12,741		65,493	16,077	393	2,948	12,737	(6)	0	0	(4)
1988	1989		66,712	16,387	400	3,002	12,965		66,744	16,377	400	3,004	12,974	10	0	2	9
1989	1990		67,516	16,553	406	3,038	13,110		67,616	16,586	406	3,043	13,139	33	0	5	29
1990	1991		67,894	16,636	407	3,055	13,173		68,080	16,698	408	3,064	13,226	62	1	9	53

Released Protest Funds :		CURRENT							PROPOSED					DIFFERENCE			
Tax Year	Fiscal Year		Taxable Value	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax		Taxable Value	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax
1986	1987			0	0	0	0			2,983	54	403	2,526	2,983	54	403	2,526

Net Impact :		CURRENT							PROPOSED					DIFFERENCE			
Tax Year	Fiscal Year		Taxable Value	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax		Taxable Value	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax
1986	1987			18,116	442	3,319	14,355			20,884	492	3,693	16,700	2,768	50	374	2,345

NOTE : FIGURES MAY NOT ADD DUE TO ROUNDING

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OF MONTANA

MONTANA STATE SENATE
TAXATION COMMITTEE

49th Second Special Legislature - 1986

COMMITTEE MEMBERS: Senator Tom Towe, Chairman
 Senator Joe Mazurek, V. Chairman
 Senator Bob Brown
 Senator Dorothy Eck
 Senator Pat Goodover
 Senator Tom Hager
 Senator Mike Halligan
 Senator Les Hirsch
 Senator Ray Lybeck
 Senator George McCallum
 Senator Ted Neuman
 Senator Elmer Severson

STAFF ATTORNEY: Jim Lear

COMMITTEE SECRETARY: Nancy Aagenes

BOOK: 1 of 1

INCLUSIVE DATES: March 24, 1986 - March 29, 1986

II SPECIAL - 49TH LEGISLATIVE SESSION

COMMITTEE ON TAXATION

[illegible]

Use a separate sheet for Senate, House Bills, and Resolutions.

Taxation Committee
March 27, 1986
page four

Senator Towe noted that the portion of the case related to value would not come under the 4R's Act and would be litigated in state court.

Mr. Gene Phillips said that in the case of Bonneville Power Administration the protested taxes were paid in the counties.

Senator Towe closed saying that the bill doesn't cover everything, but that it does do something obvious and effective. He said the entire amount paid should not be put into escrow when only a small amount of that was protested. He said the 50% rule, while not perfect, was implemented to protect local governments and that the bill would work to relieve their fears and concerns.

CONSIDERATION OF SB 11: Senator Towe was recognized as chief sponsor of the bill. He said that this bill would allow the settlement with the airlines to stand as fair and proper and remove the airline agreement from consideration beside the railroad agreement. He said that is all the bill does and that it does it by separating the airline into a separate class of property.

PROPOSERS

Mr. Les Loble, representing the airlines, said that they support the bill.

OPPOSERS

None were heard.

Senator Halligan asked if the equalization problem still existed. Senator Towe said not if the airlines were in a separate class.

Senator Goodover said that previously the Legislature had tried to reduce the number of classes and now a new one was being added. Senator Towe agreed and said he did not know another way to do what needed to be done.

Senator Mazurek asked what would happen with the airline agreement if both SB 8 and SB 11 were defeated. Mr. Loble answered that the settlement would be void as to the tax rate but that other parts of the settlement would still be effective.

Senator Towe closed without comment.

FURTHER CONSIDERATION OF SB 8:

MOTION: Senator Brown moved that SB 8 do not pass. He said there were two groups of people against the bill--the Republicans and the Democrats. He said that the process by which the settlement was arrived at was the most objectionable thing. He said it was the result of a large taxpayer being able to cut a deal to lower their tax rate as set by the elected Legislature. He said that it was inherently unfair.

The motion carried unanimously.

Senator Towe then offered to the committee amendments (Exhibit 2) which dealt with the policy question of including all classes of property.

MOTION: Senator Halligan moved that SB 10 be amended per Exhibit 2.

After discussion Senator Halligan amended his motion to exclude amendment number 2. Question was called and the motion carried unanimously.

MOTION: Senator Brown moved that SB 10 be amended by striking "or" on page 5, line 18 and inserting "and". The motion carried unanimously.

Discussion followed about whether or not the matter should be left to the Revenue Oversight Committee. Senator Hager clarified that the protested amount in excess of 50% could be spent. Senator Goodover said that he didn't understand it and didn't want it expalined. Senator Towe said that it is a frustrating issue because local governments were left in a bind and HB 704 did not solve their problem. He said that this bill with minimal other implications does help.

MOTION: Senator Eck moved that SB 10 do pass as amended.

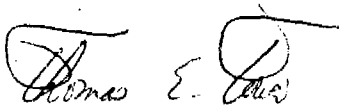
MOTION: Senator Goodover moved that SB 10 be tabled. Senators Goodover, Halligan, McCallum and Mazurek voted yes; Senators Brown Eck, Hager, Lybeck, Neuman, Severson and Towe voted no. The motion failed.

Question was then called on the motion that SB 10 do pass. Senators Brown, Eck, Hirsch, Lybeck, Neuman, Severson and Towe voted yes; Senators Goodover, Hager, Halligan, McCallum and Mazurek voted no. The motion carried.

FURTHER CONSIDERATION OF SB 11:

MOTION: Senator Mazurek moved that SB 11 do pass. With Senators Neuman, Goodover and Hager voting no and all other members voting yes, the motion carried.

Chairman Towe adjourned the meeting at 1:15 pm.



Chairman Thomas E. Towe

Senate Taxation Committee

ROLL CALL VOTE

Date 27 March 86

Bill No. _____

Motion: _____

Attendance

	YES	NO
Senator Brown	✓	
Senator Eck	✓	
Senator Goodover	✓	
Senator Hager	✓	
Senator Halligan	✓	
Senator Hirsch	✓	
Senator Lybeck	✓	
Senator McCallum	✓	
Senator Neuman	✓	
Senator Severson	✓	
Senator Mazurek	✓	
Chairman Towe	✓	

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

[illegible]

Taxation Committee
March 28, 1986
Page Six

is not sufficient, and that is a theoretical possibility, there are procedures for enforcing a judgment, which are contained on page 5 and they are quite adequate.

There were no further questions.

Senator Towe said that this is a good bill and is long overdue and it solves a problem that has been out there for a long time.

The hearing on this bill was closed.

CONSIDERATION OF SENTATE BILL 11: Senator Towe distributed some copies of proposed amendments. See exhibit 3. He advised that this bill ratifies an agreement between the airlines and the department of revenue. He stated that the airlines separately negotiated with the department, agreeing to settle all back years which are presently being litigated at 12%, and this agree to pay 12% for the next five years and there will be no adjustment factor. They also agreed to not protest, he continued, and if they don't settle the railroad issue, they have to take airlines out of class 15 and put them in a new class - class 17.

PROPOSERS: Les Loble, representing Northwest Airlines, Inc., stated that all four bills provided that once they were beyond the settlement period, the amount of percentage tax rate would be 12% or less according to the formula. He advised that Senator VanValkenburg's bill sunsets that and he admitted that there was a lot of animosity between his client and the department of revenue between 1982 and 1985 and they have now established a good relationship. He wondered why they should not make it automatic and let things go on if people want them to go on. He exclaimed that he loved the railroads being in a different classification.

There were no further proponents.

OPPOSERS: There were none.

QUESTIONS ON SENATE BILL 11: Chairman Devlin asked if this bill locks them in until 1990.

Senator Towe responded that the legislature can change its mind any time it chooses, but this ratifies the settlement agreement, which locks them in until 1990 if they don't want to interrupt that agreement.

Taxation Committee
March 28, 1986
Page Seven

Chairman Devlin asked if it says in the bill that the legislature could change its mind and this would release them from the agreement.

Senator Towe answered that it does not, but the agreement says that.

Chairman Devlin asked if this bill refers to the agreement.

Senator Towe responded that it doesn't need to.

Mr. Loble clarified that the agreement says that if the legislature in this session passes a 12% cap, then they will pay 12% rate for the next five years irrespective of what the legislature does after that. He indicated that if, in the next session, the legislature says they are going to make it 15% or they are going to make it 10%, they (the airlines) cannot take advantage of the 10% nor can they protest the 15%.

Representative Harp asked Mr. Groepper if airlines and railroads were not in class 15.

Gregg Groepper, administrator of the property assessment division of the department of revenue, replied that that is correct.

Representative Harp said now what we are going to do is move the airlines to class 17 and leave the railroads by themselves and he asked if he felt that there was a potential for litigation just on that move - pulling out similar property away from each other.

Mr. Groepper answered that, in all honesty, he feels that anything the legislature does is subject to litigation and he thinks that the railroads have made it pretty clear that, if Senator VanValkenburg's bill does not pass, they are going to be litigating.

Representative Switzer asked if this was not one of the hassles previously when the railroad disputed the

Taxation Committee
March 28, 1986
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fact that they could be put in a class by themselves and all other commercial and industrial property was in a different class.

Mr. Groepper replied that one of the problems he recalls that the revenue oversight committee had was the issue of fractional tax rates - multiple properties in one class at different tax rates. He said he thought the bill that put all the utilities' properties at the same rate was a good bill because it ended that argument about discrimination within a class. He felt that, if you are going to have a different tax rate for the airlines than you are for the railroads, then under Montana law, it is appropriate to put them in a different class.

Representative Gilbert asked if this is like divide and conquer.

Mr. Groepper replied that he thinks it is a reflection that the constitution provides for equal treatment; and some supreme court cases have determined that it is appropriate for the legislature to tax things at different rates, which basically sanctifies our multiple classification system, but within the classification system, the sumpreme court says they have the responsibility to tax property in that classification in the same manner.

Representative Gilbert stated that what they have here is two different entities in one class - one entity is protesting the right of the other to settle in an agreement in order to fall under the scheme of providing another class, in order to make the tax fair.

Mr. Groepper responded that if he understood Senator Towe's testimony, what he is trying to do is ratify the airline's agreement, but he is uncomfortable with the railroad agreement, so this is his solution to accomplish that. He informed the committee that if this is the wish of the committee to accomplish this, than this method is better than leaving both properties in the same class with two different tax rates.

Taxation Committee
March 28, 1986
Page Nine

Representative Keenan asked if Representative William's bill passed this special session, would they need this bill.

Mr. Groepper answered that which bill they need is a matter of legislative determination, but if they are taxed at the same rate, they would still be in the same class.

Representative Sands asked if it is not almost a violation of the 4Rs act by taxing railroads at 14.4% and airlines at 12%.

Mr. Groepper replied that the airlines are guaranteed non-discriminatory property tax treatment under a different piece of legislation and the language of that act is similar to the 4Rs act. He explained that what the 4Rs act requires is that the railroads be taxed at a rate no greater than all other commercial and industrial property. He said he would expect that it could be argued that you would be complying with what the 4R act required if you looked at the railroad rate along with the rates for all other industrial and commercial property.

Representative Sands asked the same question of Senator Towe.

Senator Towe responded, "Absolutely, not." He stated that they may try to raise that issue, but he can see no merit to that at all, because the 4Rs act says railroad and nothing else. He advised that the only way to determine whether railroads are being taxed properly is to average all the other property in the state; and their formula does that for railroads. When you pull the airlines out and put them in the formula, then this is averaged and compared to the railroads, he continued, and when they get to that average - if it is 20% or whatever, it does not make any difference. The question is what is the average, he concluded.

There were no further questions.

Taxation Committee
March 28, 1986
Page Ten

Senator Towe emphasized that he does not see there is an issue that the railroads can argue if this bill passes - the average of the total properties (industrial and commercial) is included in the formula and that is all part of the 4Rs act. He concluded that if the legislature does not pass this, they will be back in court and they will have to go over this all over again.

The hearing on this bill was closed.

EXECUTIVE SESSION

DISPOSITION OF SENATE BILL 11: Representative Williams moved that this bill DO PASS. Representative Williams moved the adoption of the amendments. The motion carried unanimously.

Representative Harp said that if this legislature wants to do something as far as class 15 is concerned, they have the tool to do it in HB 15 and it is still alive. He did not feel that they should continue to take another case for litigation by separating two similar properties (transportation) to solve a very small part of the overall problem.

Representative Keenan noted that Mr. Kaleczyc indicated that if they passed Representative William's bill, they would be going to court and she just doesn't see the logic there.

Representative Harp said that he thought that if they were to put them both in class 15 at a 12% tax rate, they are doing the same thing in this bill by moving them to class 17 and they would take care of the airlines regardless of what the railroads would do today.

Representative Keenan pointed out that here they are again at the end of a session playing politics with this Burlington Northern business. She stated that if they have a taxpayer who comes in and has negotiated in good faith, who has worked with the department of revenue and is asking us to do something in good faith, she sees nothing wrong with this.

Taxation Committee
March 28, 1986
Page Eleven

Representative Raney indicated that he was fed up with trying to solve the railroad problem and he could go along with resurrecting Representative William's bill and cap it at 12%, but if they do that, are they still taking care of the airlines.

Representative Raney asked if they could ask this of the airlines and there was no objection.

Mr. Loble responded that if Representative William's bill was resurrected, this would solve their problem and Representative Peck's bill would also solve their problem. He explained that this bill also solves their problem and if this bill gets through and if the governor's bill gets through, this is meshed with the governor's bill so anything in the governor's bill which applies to the airlines is void. He emphasized that this is safe protection for the airlines so they are not always ground under the wheels of Burlington Northern.

Representative Williams exclaimed that a bird in the hand is worth two in the bush and the committee better take a good hard look at it.

A vote was taken on the DO PASS motion and the motion carried with Representative Gilbert, Representative Cohen, and Representative Harp voting no.

DISPOSITION OF SENATE BILL 10: Representative Ream moved adoption of the amendments. The motion carried with Representative Zabrocki voting no.

Mr. Bohyer explained an amendment proposed by Representative Ellison, in which he would like to have the person paying the taxes under protest to be able to go before a court or the county commissioners and present evidence why he should be able to have more than one-half of the amount of the protest deposited in the protest fund to secure his interest in what he considers his money.

DAILY ROLL CALL

TAXATION

COMMITTEE

49th LEGISLATIVE SESSION -- 1986

Second Special

Date _____

NAME	PRESENT	ABSENT	EXCUSED
DEVLIN, Gerry, Chairman	✓		
WILLIAMS, Mel, Vice-Chairman	✓		
ABRAMS, Hugh	✓		
ASAY, Tom	✓		
COHEN, Ben	✓		
ELLISON, Orval	✓		
GILBERT, Bob	✓		
HANSON, Marian	✓		
HARRINGTON, Dan	✓		
HARP, John	✓		
IVERSON, Dennis	✓		
KEENAN, Nancy	✓		
KOEHNKE, Francis	✓		
PATTERSON, John	✓		
RANEY, Bob	✓		
REAM, Bob	✓		
SANDS, Jack	✓		
SCHYE, Ted	✓		
SWITZER, Dean	✓		
ZABROCKI, Carl	✓		

STANDING COMMITTEE REPORT

March 28, 19 86

Mr. Speaker: We, the committee on TAXATION

report SENATE BILL 11

☐ do pass

☐ do not pass

☒ be concurred in

☐ be not concurred in

☒ as amended

☐ statement of intent attached

GERRY DEVLIN,

Chairman

AN ACT LIMITING THE AIRLINE TRANSPORTATION PROPERTY TAX RATE TO NOT MORE THAN 12 PERCENT;

Be amended as follows:

1. Page 1, line 21.

Following "taxable"

Strike: "year beginning January 1, 1986,"

Insert: "years 1986 through 1990 class seventeen property is taxed at 12%,"

2. Page 3, line 23.

Following: "at"

Strike: "the percentage rate "R",,to be"

Insert: "the lesser of 12% or the percentage rate for class fifteen property without adjustment."

3. Page 3, lines 24 to 25

Strike: lines 24 and 25 in their entirety.

Renumber: subsequent subsections

4. Page 4, lines 1 through 8.

Strike: lines 1 through 8 in their entirety

House Taxation Committee Amendments to
SB 11

Exhibit 3
SB 11
3/28/88
Sen. Towse
Les Loble

1. Page 3, line 21.

Following: "taxable"

Strike: "year beginning January 1, 1986,"

Insert: "years 1986 through 1990 class seventeen property is
taxed at 12%,"

2. Page 3, line 23.

Following: "at"

Strike: "the percentage rate "R", to be"

Insert: "the lesser of 12% or the percentage rate for class
fifteen property without adjustment."

3. Page 3, lines 24 to 25

Strike: lines 24 and 25 in their entirety.

Renumber: subsequent subsections

4. Page 4, lines 1 through 8.

Strike: lines 1 through 8 in their entirety

And as amended that SB 11 BE CONCURRED IN.

✓

(4) only, by multiplying the total statewide taxable value of property described in subsection (4) by "M" prior to calculating "A" in subsection (3).

(c) The adjustment referred to in subsection (4)(c) will be made beginning January 1, 1986, and in each subsequent tax year to equalize the railroad and--airline taxable values.

(5) For the purpose of complying with the Railroad Revitalization and Regulatory Reform Act of 1976 and the Tax Equity and Fiscal Responsibility Act of 1982, as they it read on January 1, 1986, the rate "R" referred to in this section is the equalized average tax rate generally applicable to commercial and industrial property, except class fifteen property, as commercial property is defined in 15-1-101(1)(d)."

NEW SECTION. Section 2. Class seventeen property -- description -- taxable percentage. (1) Class seventeen property includes all airline transportation property as described in the Tax Equity and Fiscal Responsibility Act of 1982 as it read on January 1, 1986.

(2) For the taxable ~~years 1986 through 1990~~ ^{years 1986 through 1990} class seventeen property is ~~taxed at 12%~~ ^{the lesser of 12% or the percentage rate for} and for each taxable year thereafter, class seventeen property is taxed at ~~the percentage rate "R", to be~~ ^{the lesser of 12% or the percentage rate for} ~~class fifteen property without adjustment.~~ ^{the lesser of 12% or the percentage rate for} determined by the department as provided in subsection (1).

(3) ~~R = A/B or 12%, whichever is less, where:~~

~~(a) A is the total statewide taxable value of all commercial property, except class seventeen property, as commercial property is described in 15-1-101(1)(d), including class 1 and class 2 property; and~~
~~(b) B is the total statewide market value of all commercial property, except class seventeen property, as commercial property is described in 15-1-101(1)(d), including class 1 and class 2 property.~~

(4) (a) For the taxable year beginning January 1, 1986, and for every taxable year thereafter, the department shall conduct a sales assessment ratio study of all commercial and industrial real property and improvements. The study must be based on:

(i) assessments of such property as of January 1 of the year for which the study is being conducted; and

(ii) a statistically valid sample of sales using data from realty transfer certificates filed during the same taxable year or from the immediately preceding taxable year, but only if a sufficient number of certificates is unavailable from the current taxable year to provide a statistically valid sample.

(b) The department shall determine the value-weighted mean sales assessment ratio "M" for all such property and reduce the taxable value of property described in subsection

(4) only, by multiplying the total statewide taxable value

VISITORS' REGISTER

Taxation

COMMITTEE

BILL NO. SB 11

DATE 3/28/86

SPONSOR Towe

[illegible]

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